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State Department review completed

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SOUTHEAST ASIA

1. Burmese reportedly issue licenses for export of rubber to China:

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[redacted] The American embassy in Rangoon reports [redacted] that two local firms have obtained licenses for the export of rubber to Communist China. The embassy comments that if this information is accurate, the Polish ship General Walter may be expected to call at Rangoon on its next voyage between Ceylon and China.

Comment: On 1 April, the Burmese decided to place strategic goods under export controls, declaredly in deference to the UN embargo, and indicated that these controls would be used to prevent further shipments of rubber to China.

In late March, the General Walter had loaded a cargo of rubber and scrap steel in Rangoon for Communist China. The United States protested this shipment to the Burmese government.

NEAR EAST - AFRICA

2. Iran reportedly threatened with "reign of terror":

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[redacted] [redacted] leaders of the Fedayan Islam, the Moslem terrorist organization, are reportedly joining forces against the Mossadeq government in opposition to its alleged alliance with the Tudeh.

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Prime Minister Mossadeq, [redacted]

[redacted] is seriously concerned over widespread rumors that these leaders are planning the assassination of a number of his key officials, including Foreign Minister Fatemi. [redacted]

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[redacted]

Comment: Navab Safavi, fanatic Moslem leader, was convicted for the assassination of Prime Minister Razmara in 1951. When pardoned last February, Safavi announced that his "Crusaders of Islam" would continue its terrorist program. The press

3. Israelis may be exploiting ineffective UN border supervision:

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American ambassador Green in Amman believes that the Israeli attacks against five Jordanian border villages on 21 May indicate that the Israelis are confident the ineffective UN Mixed

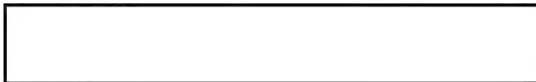
Armistice Commission supervision machinery enables them to continue armed raids with impunity. He reports that despite the restraint of the government in Amman, popular indignation in the region near the armistice lines may encourage Jordanian national guardsmen to retaliate.

Comment: Circumstances surrounding the recent resignation of General Riley as chairman of the UN truce supervision organization, and the problem of appointing a satisfactory successor, have undermined the already weakened border supervision machinery.

The continuation of such incidents, particularly along the Israeli-Jordanian frontier, has been a major factor in hardening Arab and Israeli attitudes, and makes less likely the negotiation of any peace settlement.

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EASTERN EUROPE

4. Buying panic noted in Prague:

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A buying panic set off by rumors of an imminent monetary reform is under way in Prague. Some minor riots have been reported, and many stores have been depleted of textiles, leather goods, mechanical appliances and other durable consumer goods.

The American embassy gives some credence to the rumors of a currency reform even though it believes that this is not economically necessary. The embassy suggests that the reform may be coupled with the end of rationing, which reportedly is set for 1 July.

Comment: The buying wave to date has apparently been highly selective and is similar to an earlier one in January 1952 which was set off by unfounded rumors of an impending currency reform.

Buying waves preceded monetary revaluations carried out in Rumania and Bulgaria during 1952.

WESTERN EUROPE

5. Gaullists may insist on new EDC treaty protocol:

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The American embassy in Paris warns that the price of Gaullist participation in a new coalition government may be acceptance of a proposed additional protocol to the EDC treaty. The

Gaullists previously sought a protocol allowing the treaty to come into force only gradually, and are already claiming that the Mayer government promised to push this proposal.

These demands might lead to revival of Socialist leader Jules Moch's similar proposal that each EDC country except Germany retain exclusive control of its armed forces during a transitional period. In that case, France's prospective partners would probably conclude that Paris was clearly refusing to proceed with EDC.

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